GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:99
ANSWERED ON:28.07.2000
LIBERALISATION OF FDI POLICY
AJAY CHAKRABORTY;JASWANT SINGH YADAV

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government have taken a decision jto liberalise further the Foreign Direct Investment recently;

(b) if so, the details thereof and the sectors in which such liberalisation is proposed;

(c) whether the Government have also removed the export obligation for consumer goods industries;

(d) if so, the details thereof;

(e) whether the interests of domestic industry engaged in consumer goods has been protected;

(f) if so, the steps taken or being taken to safeguard the interest of domestic industry; and

g) the total foreign exchange likely to be earned by allowing 100% FDI in E-Commerce and removing export obligations in consumer goods?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI MURASOLI MARAN)

(a) to (c) A Statement is laid on the Table of the House

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (G) OF LOK SABHA STARRED QUESTION NO.99 FOR ANSWER 28.7.2000.

(a) to (d) : In pursuance of its commitment to further liberalising the FDI regime, Government, on review of the policy on FDI has recently brought about the following changes in the FDI regime

I FDI upto 100% has been allowed for e-commerce activities subject to the condition that such companies would divest 26% of their equity in favour of the Indian public in 5 years, if these companies are listed in other parts of the world. Further, these companies would engage only in business to business (B2B) e-commerce and not in retail trading, inter-alia, implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well.

II On review of the policy on dividend balancing, hitherto applicable to 22 specified consumer goods industries, and with a view to attracting FDI, it has been decided to remove this condition, since it has been perceived as an irritant by the foreign investors, and is seen as restricting investment.

III Keeping in view the growing demand for power in the country and the need for more investment in this sector, the upper limit of Rs.1500 crore in respect of the power projects relating to electric generation, transmission and distribution (other than atomic reactor power plant) has been removed.

IV Keeping in view the need for greater foreign direct investment in oil refining sector, the level of FDI in this sector under automatic route has been raised from the existing 49% to 100%.

(e) to (g) : FDI is not considered a threat to an efficient domestic industry. However, while considering FDI proposals, a declaration is obtained from the applicant whether the foreign collaborator has any previous joint venture or technology transfer/trademark agreement in the same or allied field in India, the detailed circumstances in jwhich it is considered necessary to set up a new joint venture/enter into new technology transfer (including trade mark), and proof that the new proposal would not in any way jeopardise the interest of the existing joint venture or technology/trade mark partner or other stake holders.

For induction of Foreign/NRI/OCB equity in an existing Indian company, a copy of the Board Resolution of the Indian company is called for.

These liberalisation measures have been undertaken with the objective of achieving FDI inflows of US $ 10.00 billion per annum.